

SERC RELIABILITY CORPORATION ANTITRUST COMPLIANCE GUIDELINES

I. GENERAL

It is the policy and practice of SERC Reliability Corporation (SERC) to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or which might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every SERC participant and members of SERC staff who may in any way affect SERC's compliance with the antitrust laws to carry out this commitment. Failure to observe this commitment will result in serious consequences to such SERC participants or members of SERC staff, as the case may be. For example, SERC may refuse to allow a SERC participant to participate in SERC activities if such participant refuses to comply with these guidelines.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert SERC participants and members of SERC staff to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the SERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any SERC participant or member of SERC staff who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether SERC's antitrust compliance policy is implicated in any situation should consult SERC's legal counsel immediately. Any participant or member of SERC staff who observes an improper discussion at any SERC meeting should immediately raise the issue with whoever is in charge of the meeting so that the discussion can be terminated and, if needed, appropriate advice sought. It must be remembered that even passive participation in an unlawful discussion may lead to a finding of collusion.

II. PROHIBITED ACTIVITIES

Participants in SERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in SERC activities (e.g., at SERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.

- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

Any other matters that may fall within these guidelines as prohibited activities should be brought to the attention of SERC's legal counsel before being discussed.

III. ACTIVITIES THAT ARE PERMITTED

From time to time decisions or actions of SERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by made SERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If there is not a legitimate purpose for discussing a matter that is consistent with this objective, please refrain from discussing the matter during SERC meetings and in other SERC-related communications.

SERC participants and members of SERC staff should also ensure that SERC policies and procedures, including those set forth in the SERC Bylaws are followed in conducting SERC business. Other procedures that may be applicable to a particular SERC activity include, but are not necessarily limited to, the following:

- Delegation Agreement between the North American Electric Reliability Corporation (NERC) and SERC
- NERC Rules of Procedure
- NERC Compliance Monitoring and Enforcement Program
- SERC Compliance Program Procedures
- SERC Regional Standards Development Procedure
- Organization and Procedures Manual for the SERC Standing Committees

In addition, all discussions in SERC meetings and other SERC-related communications should be within the scope of mandate for or assignment to the particular SERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in SERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with SERC regional reliability standards, NERC reliability standards, or the NERC Rules of Procedure should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in SERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities; provided, however, that any such communications or petitioning of governmental authority must have a reasonably foreseeable chance of resulting in favorable governmental action (i.e., the hoped-for governmental action must be possible when viewed objectively).
- Matters relating to the internal governance, management and operation of SERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

Any other matters that do not clearly fall within these guidelines as activities that are permitted should be brought to the attention of the SERC legal counsel before being discussed.